

THE HUMAN IMPLICATIONS OF MANAGEMENT REENGINEERING

Ion VERBONCU, Aurel MANOLESCU
Academy of Economic Studies, Bucharest

Abstract. *Redesigning corporate management represents the most important means of managerial change and has a variety of consequences – economic, social, human etc. Expressed in terms of remodeling the methodological, organizational, decision-making and informational components of the management system, management reengineering generates substantial changes in the implementation of managerial functions and, implicitly, significant managerial and economic performances. Moreover, managerial redesign makes managerial excellence possible and, through the latter, it also contributes to business excellence.*

Key words: Reengineering, managerial and economic performances, managerial tools, decision-making system, informational system, organizational system.

1. When is management reengineering necessary?

In what follows we present the elements that require substantial managerial changes, which can only be attained by means of management reengineering:

(a) **The existence of several disfunctionalities in the employment of managerial components.**

Among these, we mention (Nicolescu et al., 2003):

- The lack/shortage of implementation of the forecasting function;
- The lack of a system of organizational objectives, divided into process and structural components. This drawback stems from the lack of a realistic policy and strategy based on diagnostic, marketing and forecasting research;
- The insufficient delimitation and dimensioning of certain process components (e.g. functions, activities, responsibilities and tasks), which are vital for objective achievement. At the same time, structural/organizational components (such as jobs, positions, responsibilities and tasks) are ambiguously defined, which leads to replication of responsibilities and tasks, responsibility dilution and other shortcomings in the functioning of the organizational structure;
- The existence of insufficiently flexible, dynamic and efficient organizational structures, which could allow for and determine an „agressive” corporate response to the national and international environment;
- The employment of fundamental corporate documents (articles of association, the organizational chart, personnel specifications) mainly as administrative, bureaucratic tools;
- The insufficient hierarchical structuring of corporate authority and responsibilities;

- The predominantly empirical nature of decision-making processes, on the one hand due to the neglect of the multitude of information related to a certain decision-making issue and, on the other hand, due to decision-making based on the manager's talent, intuition or experience rather than on the scientific decision-making tools, which results in a lower quality of the decisions made;
 - The predominant involvement of top managers in day-to-day activities, as a result of the multiple pressures they are exposed to nowadays. More explicitly, they get involved in solving routine issues because of deficient economic relations between firms, economic and financial blocks etc. Unfortunately, there are plenty of occasions when not only the economic director but also the general manager "chase" money, allotting significant time spans to the recovery of the sums the goods sold by the company amount to, and hence to saving the firm they run. Therefore, strategic issues are neglected, which has a major impact on long-term corporate functioning and effectiveness;
 - The lack of a clear and systemic vision of the design and functioning of the informational component;
 - The obvious lack of correlation between the amount and structure of data transmitted from bottom to top management, on the one hand, and the hierarchical position of the data beneficiaries, on the other hand, which often leads to top management overload with useless data, characterized by a low degree of coherence;
 - The still small number of managerial methods and tools employed – such as meetings, delegation, scoreboards, diagnostic tools, management by objectives or budget management;
 - The shortage of highly compulsory methodological tools in the implementation of such managerial methods and tools, which increases the empirical nature of managerial processes.
- (b) **The increase of national and international influences on managerial processes;**
- (c) **The increase and diversification of problems firms are confronted with, problems which require competitive management, generator of competitive advantages on the market.**

The changes in the firms' operating domain and, hence, the in-company changes have constantly been associated with business and economic evolution. The current changes - which are much more complex, frequent and rapid – naturally stem from the old changes, amplifying them to suit the new realities of the contemporary world.

Consequently, managerial modernization is not just a present time „trend“, it is a necessity, in order to ensure high-quality parameters for managerial

The human implications of management reengineering

microeconomic systems. Management reengineering is, thus, an ample strategic response to such needs.

The basic principle of management reengineering is the implementation of profound, substantial, changes, affecting all the components of the management system. These changes generate a variety of positive effects, such as (Hammer and Champy, 1997):

- The modernization of management systems, modifying their structural and functional characteristics so as to meet the challenges resulted from the firms' internal and external evolution;
- The limitation of the discrepancies between the firms' technical and technological potential, on the one hand, and their management's innovation capacity, on the other hand, which has multiple beneficial effects upon the rhythm and efficiency of the corporate renewal process;
- The ensurance of a correlation between corporate management dynamics and environmental challenges, bringing the former in line with the recent evolution in managerial theory and practice;
- The high-level harmonization between the functionality of the management system and the status and evolution of the firm's needs and potential in all respects;
- The development of an accentuated dynamism as regards the firm's activities and results, which leads to enhanced economic performance;
- The development of a modular organizational structure, characterized by the firm's division in modules with a high operational autonomy and the establishment of functional relations both between groups of sub-modules and at company-level. A firm with a modular organization is at the same time: centralized and decentralized, characterized by a top-to-bottom and a bottom-to-top approach, autonomous and integrated, based on management and leadership;
- The development of a morale and organizational culture favourable for endeavours meant to lead to company performance;
- The amplification of managers' leadership at all levels, higher staff motivation to take responsibility and action, which leads to teamspirit and higher staff interest in and receptivity to management decisions and actions;
- The intensification of labour both at managerial level and at staff level, as a result of their greater participation in the initiation, preparation and execution of actions required by the need to render the firm's strategy and policy more operational;

2. Management reengineering – methodological aspects

Redesigning the management of industrial enterprises is, undoubtedly, the most complex means of change in the managerial area, as it implies significant and radical changes of the managerial processes and of the results of their application – the methodological, decision-making, informational and organizational components (Hammer and Champy, 1997; Champy, 1997). Viewed in a larger context, management reengineering is subsequent to promoting strategic management and relies on a new attitude towards the managerial decisions and the mechanisms used to consolidate, adopt and apply them, mechanisms from the methodological, decision-making, informational and organizational subsystems. Each of the four major managerial components requires a specific methodological „treatment”, in other words, appropriate methodologies of conception, functioning and improvement, meant to facilitate the attainment of performances. The following chart is self-evident (Nicolescu and Verboncu, 2001):

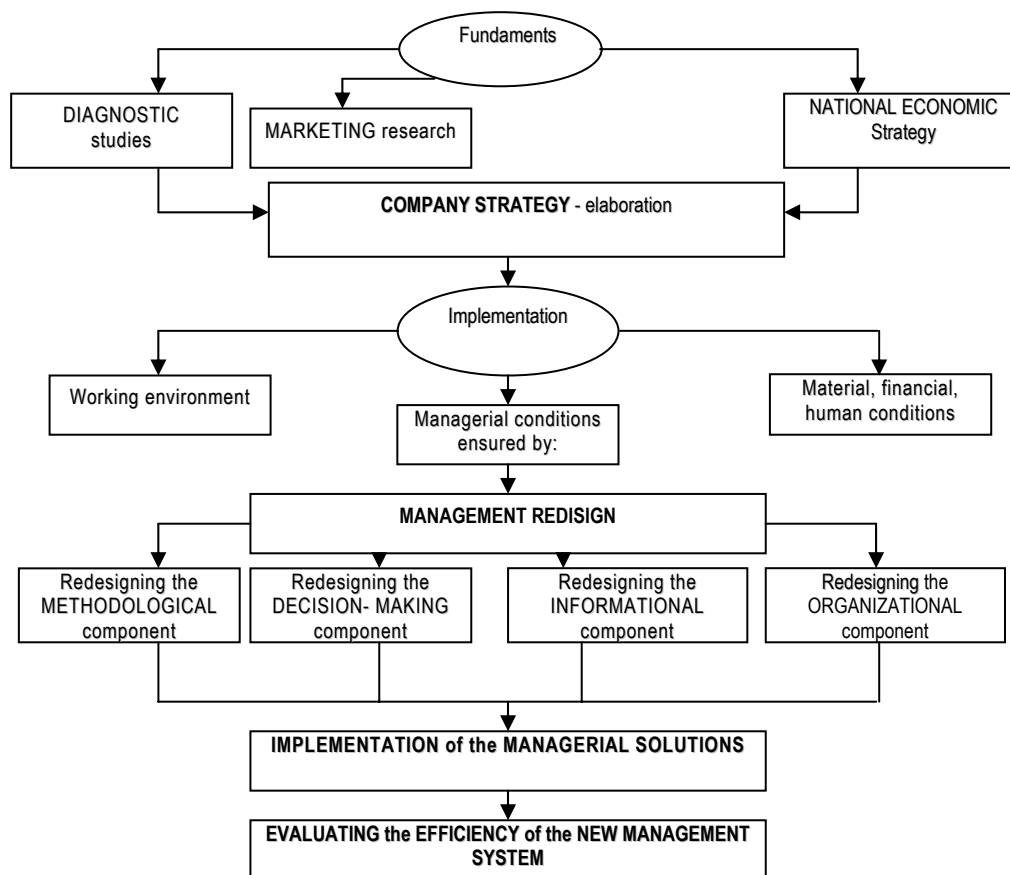


Figure 1. Management reengineering methodology

As evident from the frame methodology for corporate management reengineering, the first step is represented by **promoting strategic management**.

Against the background of major disfunctionalities in the application of the forecasting function – by far the most important managerial function – promoting strategic management becomes the priority on the path to managerial excellence. The consolidation, elaboration and implementation of global and partial strategies, in other words the realistic projection of the future of an enterprise, based on diagnostic and marketing research, represents the support for the other directions indicated by us as steps to take on the path towards becoming „the best”, towards joining the elite of the organizations which supply „good practices” in the field of management.

This first step implies to accurately establish (define) the firm’s mission and vision, to set strategic objectives and options, to appropriately dimension the resources and to realistically set intermediary and final deadlines – all of these with a view to obtaining competitive advantages on the specific market. Enhancing the strategic process implies ensuring favourable conditions – be they material, financial, human, and especially cultural and managerial – required by the efficient and effective application of the strategy. Methodological management, reengineering a.o. are meant to facilitate the attainment of this goal. A variety of factors are necessary for strategy implementation: material, financial, human, cultural and managerial. They are ensured by means of **actual mamangement reengineering**, based on:

a. Methodological management

This important step implies:

- promoting and using modern, developed, complex and sophisticated managerial tools, adapted to the construction and functional characteristics of the enterprise and its management
- promoting and using managerial analysis, design and redesign methodologies to provide managers with the necessary “steps” towards making their work and the departments they lead more efficient.

A special status in the operationalization of this option is held by the first dimension of methodological management, centered upon the tools employed in the application of the managerial processes.

We mainly refer to the **profit center management and project management**, which – due to the methodological tools involved – are able to significantly improve the firm’s managerial and economic performances (Verboncu and Zalman, 2005).

The management of a manufacturing enterprise is unconceivable without profit center management, which generates order, discipline and rigorousness, taking into consideration both the fact that the managerial and economic decentralization is verifiable at the level of management centers, and the considerable participative and motivational dimension. Due to the profound complexity of profit center management, when applying such an instrument one inevitably appeals to other managerial tools, such as **project management** (necessary in order to solve complex strategic and innovational problems), **management by exception** and **scoreboards** (used for

examining and analysing budget execution, as well as the extent to which objectives are reached), **diagnosis** and **benchmarking** (for evaluating and analysing the results obtained by a management center as compared to other centers, or by an enterprise as compared to other economic enterprises with a similar field of activity, from inside or outside the country), **methods to stimulate creativity** (for harmonizing the decisions and actions of hierarchical subdivisions, and for enhancing problem solving etc.).

b. Making the processes and structure/organization of an enterprise more flexible

The above mentioned means to render management more efficient require flexible and dynamic organizational systems, able not only to capitalize on contextual influences, but also to influence the national and international environment. Before obtaining structural/organizational flexibility, a high process flexibility must be attained, as the very reason for the existence of process components (functions, activities, responsibilities and tasks) is to facilitate the achievement of objectives, the latter in turn being characterised by accelerated dynamics.

Process management, promoted by reengineering, as well as by the managerial tools recommended above, necessarily requires a more judicious delimitation and dimensioning of processes and of the structure/organization of the enterprise, an appropriate flexibility as concerns the choice of structural configuration (functional-hierarchical, matrix, divisional or hybrid), process and structural outsourcing etc.

Escaping outdated patterns of process and structural organization requires a greater decision-making and operational freedom of the industrial enterprises, to allow for a greater mobility of the positions, jobs and departments at whose level the most important work processes are registered and true economic value is obtained; it also requires the turning of the so-called organizational documents (articles of association, organizational chart, personnel specifications) into genuine managerial tools.

Structural/organizational flexibility also implies choosing the best organizational formula – from the hierarchical one to the functional one, with its variants (matrix, divisional or hybrid) – depending on the complexity and diversity of the work processes, on the orientation towards insourcing or outsourcing, on the territorial dispersion of certain organizational subdivisions (business formats) or on the intensity of the competition faced.

c. Modernized and contextualized decision-making

Decisions are, undoubtedly, the essence of management, the most important „products” of the managerial processes and of their functions. The quality of the decisions, as well as that of the mechanisms of consolidation, adoption and application of decisions, decisively influences the actions initiated to reach the objectives in the respective domain. For this reason, a decision must simultaneously meet certain requirements – it must be scientifically consolidated, „empowered”, appropriate, integrated into the aggregate of microeconomic decisions, and comprehensible – and the decision-making processes which underlie its adoption and application must

acknowledge the contextual influences, the stakeholders' economic interests, as well as a variety of endogenous variables (the amount and complexity of objectives, the necessary work processes, the decision-makers' competence etc.). Moreover, the decision-making tools are also important; there is a need for extremely formalized tools, mathematically founded, such as the ELECTRE methods, the decision-making tree, global utility, mathematical hope.

The effect of the integration into the European Union is a considerable amplification of this means of making management more efficient.

d. Informational redesign

Informational redesign presupposes substantial changes in the way the informational sub-component is designed and functions. Such changes are based on data, information, information flows, circuits and procedures, as well as means of information processing. In what follows we make a few remarks on management informatization.

Making management function "in real time" requires the increase of the level of informatization as regards the work processes and, especially, the application of the forecasting, organizing, co-ordinating, motivating, evaluating and controlling functions. Emphasis must be placed on the informatization of decision-making, that is, on the generalized use of computers for strategic-tactical decision-making processes, with immediate and significant results upon the speed and effectiveness of information transmission between managers and employees and the other way around. Such a tool ensures the transition towards the virtual enterprise (Nicolescu and Verboncu, 2001), characterized by extremely competitive IT and informational elements (soft and hard) and, implicitly, by elements which envisage the knowledge-based enterprise.

3. The human implications of management reengineering

The main human implications of management reengineering are the following:

a. Promoting motivational mechanisms based on performances at the individual, group and enterprise level

The previously described means to make management more efficient must be undertaken by highly motivated managers and accomplishers. Abandoning the collectivist and populist motivational mechanisms and replacing them with performance-based mechanisms are, undoubtedly, among the requirements of an active, effective and responsible implication of the human factor in setting and reaching objectives.

The „building” of such motivational mechanisms must rely on motivational criteria related to the degree of achievement of objectives, at individual, group and enterprise level, and to the degree of participation in the realization of objectives. At the same time, specific salary grids must be enforced, especially in wholly- or majority- state

owned manufacturing enterprises, where motivation is far from being an economic support for employee engagement (Manolescu, Lefter and Deaconu, 2007).

b. Improving the parameters of organizational culture considerably

A major aspect which influences managerial performances is organizational culture (and, within it, managerial culture).

Improving the cultural parameters of the industrial enterprise presupposes dealing with two important aspects of organizational and managerial culture:

- **forms of manifestation** - symbols, organizational values, behavioural norms, rites and ceremonies, stories and myths
- **main functions** – it decisively determines the behaviour of the people working for the enterprise, creates the feeling of belonging to a specific community, offers protection to the personnel, facilitates the process of organizational learning, represents an important factor in promoting and supporting organizational change, contributes to the attainment of the synergy effect within the firm and to the development of the latter's competitive advantage.

Taking the previously mentioned steps towards managerial excellence leads to:

- the emergence of new organizational values (for instance, a new attitude towards work, the custom of working with realistic objectives, promoting teamwork etc.)
- the development of new behaviours, based on a changed mentality and supported by an adequate motivation (a much more active and responsible involvement in reaching objectives, a greater care for resource management)
- the channelling of efforts towards an objective or set of objectives
- the development of the employees' strong motivation to obtain performances
- the decrease of the formalities related to the mechanisms designed to co-ordinate the personnel's efforts.

All these challenges will facilitate the transition to a strong culture within industrial enterprises, which will lead to managerial performances.

c. Professionalizing the management and managers

Promoting a truly competitive management can only be realized by professional, competent managers, able to take decisions which could capitalize on the opportunities and challenges of the environment in which the enterprise operates, as well as on the strengths and weaknesses of the latter.

If, on the one hand, professionalizing the management implies promoting and employing modern and sophisticated managerial tools, and the existence of certain decision-making, informational and organizational subsystems, able to facilitate the transition to the knowledge-based management, on the other hand, professionalizing the managers implies the increase of the scientific dimension of their competence, that is, the increase of the amount and weight of the managerial knowledge, without neglecting the „artistic” nature of their work, resulted from their qualities and abilities.

It is very difficult to reach this target when the industrial enterprises area led by managers whose appointment is based on political criteria; the frequent restructurings (sometimes accompanied by dubious privatizations, without any evidently efficient results) represent the most conclusive evidence for such a „bad practice”.

A professional, competent manager adopts quality decisions, using modern managerial tools, in a permissive informational, organizational and cultural context, which would enable him/her to promote predominantly participative managerial styles (Nicolescu et al., 2003).

d. Job reengineering and the enhancement of the role of personnel specifications

The job description and the decisional-informational description are two other managerial instruments with direct impact on the managers’ work effectiveness. The latter, can be elaborated only on condition that a rigorous job description exists, which realistically renders such aspects as job description and requirements.

From the methodological viewpoint, **the job description** is the result of a rather simplified methodological mechanism, as:

i. Determination of the individual objectives

- with quantified expression
- with unquantified (qualitative) expression

These will be the consequence of deriving the specific objectives.

It is recommended to improve the company’s system of objectives, including the individual objectives.

ii. Specifying the tasks needed for achieving the individual objectives

In order to reach this goal, the other processual components with a high degree of coherence will also be taken in consideration, components such as: responsibilities activities and functions, each contributing to the achievement of a specific type of objectives:

organization in its ensemble	fundamental objectives
function	derived 1 objectives
activity	derived 2 objectives
responsibility	specific objectives
task	individual objectives

iii. Shaping the competencies (official authorities) circumscribed to managerial positions

The official authority represents the decision-making freedom of the job and, implicitly, of the job owner.

In the context of the reengineering of the decision-making component, a key role is played by the judicious delimitation and dimensioning of authority on hierarchical levels, for avoiding lacks of balance in „loading” the jobs.

iv. Elaborating job responsibilities

The responsibilities stem from the decisions taken in accordance with the competencies circumscribed to the job and materialize in the responsibility for their consequences (results that are to be obtained from the implementation of decisions or the manner of obtaining them).

Note: The three elements defining the job (tasks, competences, responsibilities) must be balanced from the quantity point of view, in the sense that there is a correlation between each task, on the one hand, and a right to decide (competency) and a responsibility, on the other hand. This balance is evident from the organization's „golden triangle”.

v. Job „localization” in the structural configuration of the organization

We mention the following aspects:

- the department the managerial job belongs to
- the hierarchical level where it is situated
- its hierarchical weight
- the organizational relations in which it is involved.

vi. Elaborating job requirements

- the professional and managerial experience required by the job
- professional training
- professional knowledge
- professional qualities and skills
- managerial knowledge
- managerial qualities and skills
- etc.

vii. Drawing up the job

The novelties mentioned are:

- the central element of defining the job is represented by individual objectives. They can be delineated only under the condition that there is a system of objectives at company level (fundamental, derived I and II, specific and individual)
- the tasks, competencies (official authority) and responsibilities are delimited and dimensioned in such a way that the „golden triangle” of the organization is observed, thus having a permanent quantitative correspondence between them
- at the „job requirements” chapter, mention will be made of the elements that are linked to the professional and managerial competency imposed to its occupant (professional and managerial knowledge, qualities and skills)

- the job description will be updated at the same time with the update of the budgets for administration centres (usually, monthly).

These considerable changes will bring about managerial excellence. We must permanently look for managerial performances – see the figure below – the only ones that can make economic performance and business excellence possible.

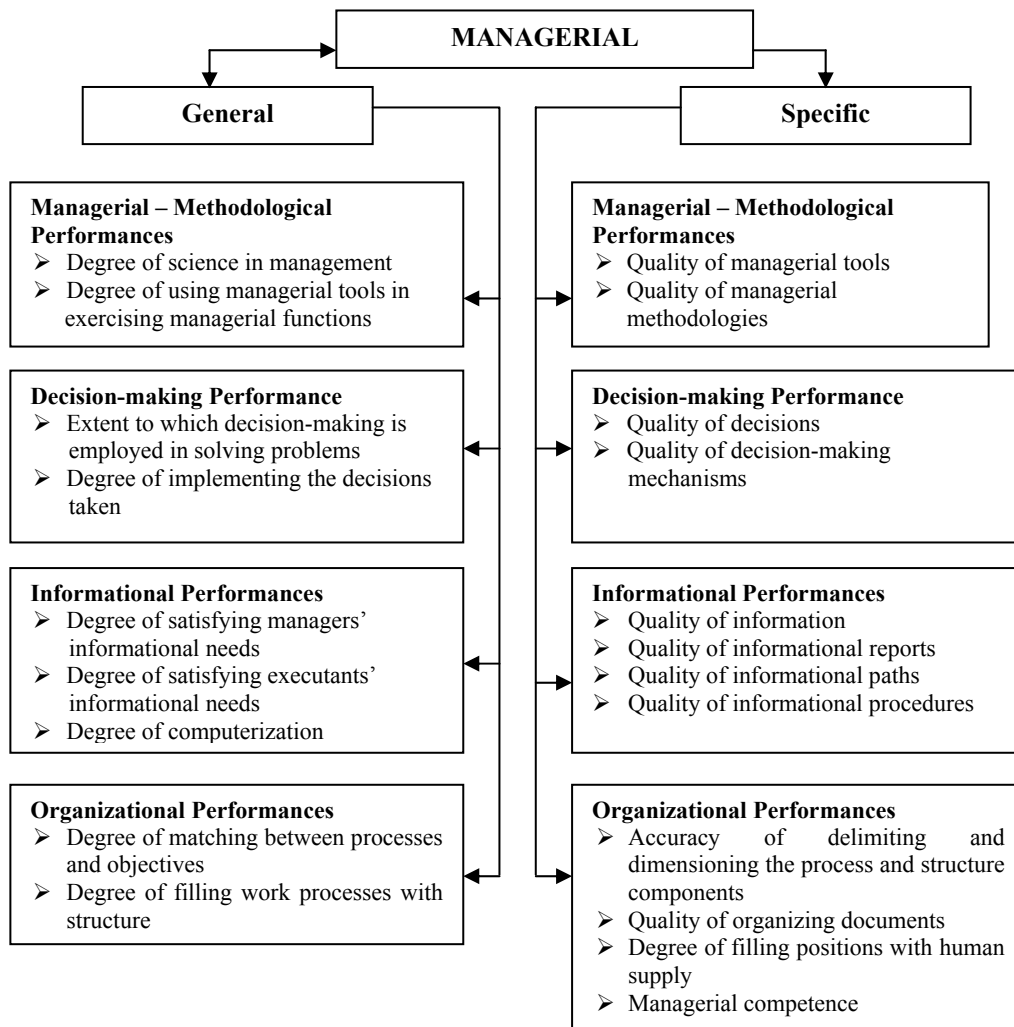


Figure 2. Company's Managerial Performances

References

- Champy, J. (1997) *Reengineering du management*, Paris: Dunod
- Hammer, M., Champy, J. (1997) *Reengineeringul corporației*, București: Editura Tehnică
- Manolescu, A., Lefter, V., Deaconu, Al. (2007) *Managementul resurselor umane*, București: Editura Economică
- Nicolescu, O., Verboncu, I. (2001) *Metodologii manageriale*, București: Editura Tribuna Economică,
- Nicolescu, O., Verboncu, I., Popa, I. (2006) *Ghid metodologic privind reproiectarea sistemului de management al organizației*, București: Editura Olimp
- Nicolescu, O., Plumb, I., Pricop, M., Vasilescu, I., Verboncu, I. (2003) *Abordări moderne în managementul și economia organizației*, vol 1, București: Editura Economică
- Verboncu, I. (2005) *Știm să conducem?*, București: Editura Economică
- Verboncu, I., Zalman, M. (2005) *Management și performanțe*, București: Editura Universitară